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MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Mr. Claus Ruser, Special Assistant
 for Economic East Asian and Pacific Affairs,
 Department of State, 10 May 1967

When the D/ORR and the undersigned met with Messrs. Barnett and Ruser on 3 May (see Memcon), Mr. Ruser indicated that he had some further suggestions regarding possible areas of ORR research. These suggestions follow:

1. The Philippines. Mr. Ruser said there had been no recent broad political, economic, and sociological study. He mentioned Blair's testimony before the Zablocki Committee, to the effect that the poor Philippine economic performance had both social and ideological root causes. Some of the following questions are important: Why isn't the private sector going anywhere? What is the land tenure situation? What is the Philippine attitude toward land reform? Who are the key groups in the Philippines? The focus of the paper would be on matters relating to the question of the proper U.S. strategy for trying to help the Philippines. At one extreme, we might cut off all aid, and put them on notice. At the other extreme, we might, as we do in Latin America, use offers of large scale aid to get reforms. State would find a thorough appraisal quite useful and Ruser believes it would make a major contribution. (Comment: There may be an opportunity here to produce a "blockbuster," of the kind that we tried on Laos. Clearly, the paper Ruser has in mind would require a very large OCI input and could even be a joint paper.)

2. Northeast Thailand. Ruser had read our paper on this region, "Thailand's Northeast Provinces: An Economic Soft Spot." He was struck by what on the surface appeared to be a "dichotomy" of judgment on development prospects. On the one hand, our report was rather pessimistic concerning long term possibilities, because of the area's unfavorable natural endowment. On the other hand, he had seen reports which suggested real possibilities, e.g., the successful introduction of hybrid corn, and reports that, once



transportation was provided, the peasants acted like rational economic men. Ruser suggested that we might wish to look at our old report and see if it required updating. The focus would be: Can the U.S. do anything to promote economic improvements so as to remove a root cause of insurgency?

3. The Food-Population Problem in Southeast Asia. The paper would discuss the trend in food production and the factors underlying it (land use, etc.) in relation to consumption levels. Where is the area going? What is in the works to prevent a deterioration of the situation? What can we do to prevent such a deterioration?

4. The Adequacy of the Flow of Capital To Southeast Asia in Relation to Its Absorptive Capacity. Data on this subject are pulled together in the DAC and by AID. The World Bank tends to limit technical assistance to that required to make loans bankable. Has the Bank tended to ignore this area? What are other donors doing? (Comment: I mentioned that a forthcoming report on "The Japanese Stake in the Economic Development of Free Asia" would have some information on this subject of interest to the Bureau of East Asian and Pacific Affairs.

5. Trade in Southeast Asia. The Bureau has been conducting a project on trade prospects in Southeast Asia. To what extent are poor trade prospects a limiting factor on rates of growth in the area? What are the prospects of intra-regional trade? (Comment: Ruser and I agreed that the paper on Indonesian trade prospects, which we are going to do at Barnett's request, would contain some useful information on the subject since it would require that we take a regional, and indeed world, look at trade prospects for Indonesia's key export commodities.

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